PORT ST JOHNS

MUNICIPALITY

OUR HERITAGE, OUR PEOPLE

Port St Johns Group
Annual Financial Statements
for the year ended 30 June 2015

General Information

Legal form of entity	Economic entity
Nature of business and principal activities	The main business operation of the economic entity is to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community: Rates and general services - All types of services rendered by the economic entity, excluding the following: Housing Services - Supply of housing to the community and includes the rental of units owned by the economic entity to public and staff; Waste Management Services - The collection and disposal of refuse.

Mayoral committee

Executive Mayor	Councillor Langa P
Speaker	Councillor Khukula T
Chief Whip	Councillor Nokhanda B.N
Councillors	Councillor Bokwe N.F
	Councillor Cube Z.H
	Councillor Diko N.F
	Councillor Fono K.M
	Councillor Fono N.C
	Councillor Kotana M.P.J
	Councillor Lobi J.S
	Councillor Mabovana M.S
	Councillor Madini D.V
	Councillor Madolo S
	Councillor Maqina Z
	Councillor Mbotshwa N
	Councillor Mcekisa V.N
	Councillor Mfiki N
	Councillor Mhlabeni Z
	Councillor Mncwati E.Z
	Councillor Moni X
	Councillor Mtiki Z
	Councillor Mtuku N.B
	Councillor Mzaza S
	Councillor Ndakayi N
	Councillor Ndamase L
	Councillor Nduku C
	Councillor Nomagedeshe B
	Councillor Nompaka T
	Councillor Rolobile L
	Councillor Sophotela M.N
	Councillor Sotshongaye S.T
	Councillor Tani N
	Councillor Tayi H.S
	Councillor Tshitshiliza N
	Councillor Tshotho G
	Councillor Veni M
	Councillor Zweni R.M

General Information

Municipal demarcation code	EC154
Grading of local authority	Grade 2
Capacity of local authority	Medium
Chief Finance Officer (CFO)	Mrs T Sikolo (acting until 31 March 2015)
Accounting Officers	Mr M Sondaba
Business address	257 Main Street Port St Johns 5120
Postal address	P O Box 2 Port St Johns 5120
Bankers	ABSA Limited
Auditors	Auditor-General South Africa

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The reports and statements set out below comprise the annual financial statements presented to the council:

Abbreviations

EPWP	Expanded Public Works Programme
GRAP	Generally Recognised Accounting Practice
LGSETA	Local Government Skills Education Training Authority
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
PAYE	Pay As You Earn
SALGA	South Africa Local Government Association
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
VAT	Value Added Tax

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the economic entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the economic entity and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the economic entity and all employees are required to maintain the highest ethical standards in ensuring the economic entity’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the economic entity is on identifying, assessing, managing and monitoring all known forms of risk across the economic entity. While operating risk cannot be fully eliminated, the economic entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the economic entity’s cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, he is satisfied that the economic entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 5 to 81, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2015.

Mr M Sondaba
Acting Accounting Officer

East London

31 August 2015

Accounting Officer's Report

The accounting officer submit their report for the year ended 30 June 2015.

1. Review of activities

Main business and operations

The economic entity is engaged in the main business operations of the economic entity is to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community: rates and general services - all types of services rendered by the economic entity, excluding the following; housing services - supply housing to the community and includes the rental of units owned by the economic entity to public and staff; waste management services, the collection, disposal and purifying of waste, refuse and sewerage, the electricity services - electricity is bought in bulk from Eskom and distributed to the consumers by the economic entity; and water services, supplying water to the public and operates principally in South Africa.

2. Going concern

We draw attention to the fact that at 30 June 2015, the economic entity had accumulated deficits of R 324 141 715 and that the economic entity's total liabilities exceed its assets by R 324 141 715.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The accounting officers are not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer

The accounting officers of the economic entity during the year and to the date of this report are as follows:

Name and Surname	Nationality	Changes
Mr M Sondaba	South African	Appointed 17 October 2014
Mr N Jakuja	South African	Resigned 28 February 2015

5. Interest in controlled entities

Port St John's Development Agency	South Africa	100%

6. Bankers

The economic entity banks with ABSA Limited.

7. Auditors

The Auditor-General South Africa will continue in office for the next financial period.

Statement of Financial Position as at 30 June 2015

		Economic entity		Controlling entity	
Figures in Rand	**Note(s)**	**2015**	**2014 Restated***	**2015**	**2014 Restated***
Assets					
Current Assets					
Cash and cash equivalents	3	9 699 834	14 711 046	9 015 613	14 642 311
Receivables from exchange transactions	4	1 544 820	361 486	1 544 820	361 486
Receivables from non-exchange transactions	5	1 718 899	2 043 988	1 716 068	2 034 370
VAT receivable	6	23 680 577	16 703 364	28 116 815	20 859 393
Inventories	7	520 855	595 375	520 855	595 375
		37 164 985	**34 415 259**	**40 914 171**	**38 492 935**
Non-Current Assets					
Investment property	8	11 461 003	11 461 003	11 461 003	11 461 003
Property, plant and equipment	9	343 005 648	354 154 103	342 602 266	354 101 046
		354 466 651	**365 615 106**	**354 063 269**	**365 562 049**
Total Assets		**391 631 636**	**400 030 365**	**394 977 440**	**404 054 984**
Liabilities					
Current Liabilities					
Bank overdraft	3	45 125	-	45 125	-
Payables from exchange transactions	10	22 711 234	21 292 737	20 976 089	19 802 958
Finance lease obligation	11	11 618 217	8 813 774	11 526 747	8 780 640
Unspent conditional grants and receipts	12	32 058 816	16 420 664	29 807 182	14 169 030
Employee benefit obligation	13	509 000	453 000	509 000	453 000
Provisions	14	3 359 854	2 720 232	-	-
		70 302 246	**49 700 407**	**62 864 143**	**43 205 628**
Non-Current Liabilities					
Operating lease liability	30	1 597 514	1 454 233	1 597 514	1 454 233
Finance lease obligation	11	386 832	11 457 462	100 244	11 429 808
Employee benefit obligation	13	1 472 000	1 369 000	1 472 000	1 369 000
Provisions	14	4 801 824	4 343 092	4 801 824	4 343 092
		8 258 170	**18 623 787**	**7 971 582**	**18 596 133**
Total Liabilities		**78 560 416**	**68 324 194**	**70 835 725**	**61 801 761**
Net Assets		**313 071 220**	**331 706 171**	**324 141 715**	**342 253 223**
Accumulated surplus		313 071 220	331 706 171	324 141 715	342 253 223

* See Note 41

Statement of Financial Performance

		Economic entity		Controlling entity	
Figures in Rand	**Note(s)**	**2015**	**2014 Restated***	**2015**	**2014 Restated***
Revenue					
Revenue from exchange transactions					
Service charges		726 277	715 185	726 277	715 185
Rental income	17	58 056	60 637	58 056	60 637
Interest received - trading		2 551 169	2 172 152	2 550 539	2 172 148
Interest received - investment	16	808 187	847 044	808 187	847 044
Other income	18	257 203	214 835	257 003	214 831
Total revenue from exchange transactions		**4 400 892**	**4 009 853**	**4 400 062**	**4 009 845**
Revenue from non-exchange transactions					
Taxation revenue					
Property rates	19	3 962 250	6 628 698	3 962 250	6 628 698
Transfer revenue					
Government grants and subsidies	20	113 734 312	111 468 617	113 734 312	111 468 617
Fines, penalties and forfeits		285 650	296 600	285 650	296 600
Licences and permits		24 267	18 706	24 267	18 706
Total revenue from non-exchange transactions		**118 006 479**	**118 412 621**	**118 006 479**	**118 412 621**
Total revenue	15	**122 407 371**	**122 422 474**	**122 406 541**	**122 422 466**
Expenditure					
Employee related costs	21	(52 231 640)	(41 494 509)	(49 687 869)	(39 332 297)
Remuneration of councillors	22	(10 123 016)	(9 514 870)	(10 000 065)	(9 269 848)
Debt impairment	23	(3 060 086)	(4 997 881)	(3 060 086)	(4 997 881)
Depreciation and impairment	24	(29 884 785)	(30 716 846)	(29 789 383)	(30 689 154)
Finance costs	25	(11 734 338)	(10 915 858)	(10 476 402)	(10 301 056)
Repairs and maintenance		(2 711 498)	(3 989 336)	(2 676 943)	(3 972 380)
Contracted services	26	(1 709 749)	(2 131 024)	(1 709 749)	(2 131 024)
Grants and subsidies paid		-	-	(5 033 220)	(3 333 333)
General expenses	27	(27 381 494)	(26 580 603)	(25 878 616)	(25 622 286)
Operating lease rentals		(2 116 223)	(1 026 771)	(2 116 223)	(1 026 771)
Total expenditure		**(140 952 829)**	**(131 367 698)**	**(140 428 556)**	**(130 676 030)**
Operating deficit		**(18 545 458)**	**(8 945 224)**	**(18 022 015)**	**(8 253 564)**
Deficit for the year		**(18 545 458)**	**(8 945 224)**	**(18 022 015)**	**(8 253 564)**

* See Note 41

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Economic entity		
Balance at 01 July 2013	**340 651 395**	**340 651 395**
Changes in net assets		
Deficit for the year (restated)	(8 945 224)	(8 945 224)
Total changes	(8 945 224)	(8 945 224)
Restated* balance at 01 July 2014	**331 706 171**	**331 706 171**
Changes in net assets		
Deficit for the year	(18 545 457)	(18 545 457)
Other adjustments	(89 494)	(89 494)
Total changes	(18 634 951)	(18 634 951)
Balance at 30 June 2015	**313 071 220**	**313 071 220**
Controlling entity		
Balance at 01 July 2013	**350 506 787**	**350 506 787**
Changes in net assets		
Deficit for the year	(8 253 564)	(8 253 564)
Total changes	(8 253 564)	(8 253 564)
Restated* balance at 01 July 2014 as restated*	**342 163 730**	**342 163 730**
Changes in net assets		
Deficit for the year	(18 022 015)	(18 022 015)
Total changes	(18 022 015)	(18 022 015)
Balance at 30 June 2015	**324 141 715**	**324 141 715**

* See Note 41

Cash Flow Statement

		Economic entity		Controlling entity	
Figures in Rand	**Note(s)**	**2015**	**2014 Restated***	**2015**	**2014 Restated***
Cash flows from operating activities					
Receipts					
Sale of goods and services		3 962 250	6 628 698	3 962 250	6 628 698
Grants		129 309 360	111 531 721	129 309 360	111 531 721
Interest income		808 816	862 416	808 187	862 416
Other receipts		200	2 961	-	-
		134 080 626	119 025 796	134 079 797	119 022 835
Payments					
Employee costs		(62 231 705)	(50 764 357)	(59 687 934)	(48 602 146)
Suppliers		(28 204 619)	(31 639 833)	(31 594 851)	(33 971 099)
Finance costs		(10 531 675)	(10 364 284)	(10 476 402)	(10 301 056)
		(100 967 999)	(92 768 474)	(101 759 187)	(92 874 301)
Net cash flows from operating activities	29	**33 112 627**	**26 257 322**	**32 320 610**	**26 148 534**
Cash flows from investing activities					
Purchase of property, plant and equipment	9	(38 295 830)	(43 463 371)	(38 183 030)	(43 439 508)
Proceeds from sale of property, plant and equipment	9	526 585	-	526 585	-
Purchase of other assets		8 247 469	(294 715)	8 247 469	(294 715)
Net cash flows from investing activities		**(29 521 776)**	**(43 758 086)**	**(29 408 976)**	**(43 734 223)**
Cash flows from financing activities					
Finance lease payments		(8 647 188)	20 050 433	(8 583 457)	20 081 954
Other deemed finance lease payments		-	(2 761 804)	-	(2 761 804)
Net cash flows from financing activities		**(8 647 188)**	**17 288 629**	**(8 583 457)**	**17 320 150**
Net increase/(decrease) in cash and cash equivalents		**(5 056 337)**	**(212 135)**	**(5 671 823)**	**(265 539)**
Cash and cash equivalents at the beginning of the year		14 711 046	14 923 181	14 642 311	14 907 850
Cash and cash equivalents at the end of the year	3	**9 654 709**	**14 711 046**	**8 970 488**	**14 642 311**

* See Note 41

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (note 40)
Economic entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	611 328	-	**611 328**	726 277	**114 949**	
Rental income	-	-	**-**	58 056	**58 056**	
Interest received (trading)	-	-	**-**	2 551 169	**2 551 169**	
Other income	-	-	**-**	257 203	**257 203**	
Interest received - investment	564 344	-	**564 344**	808 187	**243 843**	
Total revenue from exchange transactions	**1 175 672**	**-**	**1 175 672**	**4 400 892**	**3 225 220**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	-	-	**-**	3 962 250	**3 962 250**	
Transfer revenue						
Government grants and subsidies	129 913 760	-	**129 913 760**	113 734 312	**(16 179 448)**	
Fines, penalties and forfeits	43 106	-	**43 106**	285 650	**242 544**	
Licences and permits	40 068	-	**40 068**	24 267	**(15 801)**	
Total revenue from non-exchange transactions	**129 996 934**	**-**	**129 996 934**	**118 006 479**	**(11 990 455)**	
Total revenue	**131 172 606**	**-**	**131 172 606**	**122 407 371**	**(8 765 235)**	
Expenditure						
Employee related cost	(52 860 362)	-	**(52 860 362)**	(52 231 640)	**628 722**	
Remuneration of councillors	(9 879 000)	-	**(9 879 000)**	(10 123 016)	**(244 016)**	
Depreciation and amortisation	-	-	**-**	(29 884 785)	**(29 884 785)**	
Finance costs	(559 160)	-	**(559 160)**	(11 734 338)	**(11 175 178)**	
Operating lease rental	(8 365)	-	**(8 365)**	(2 116 223)	**(2 107 858)**	
Bad impairment	-	-	**-**	(3 060 086)	**(3 060 086)**	
Repairs and maintenance	(6 413 818)	-	**(6 413 818)**	(2 711 498)	**3 702 320**	
Contracted services	(2 359 328)	-	**(2 359 328)**	(1 709 749)	**649 579**	
General expenses	(63 068 864)	-	**(63 068 864)**	(27 381 494)	**35 687 370**	
Total expenditure	**(135 148 897)**	**-**	**(135 148 897)**	**(140 952 829)**	**(5 803 932)**	
Deficit for the year	**(3 976 291)**	**-**	**(3 976 291)**	**(18 545 458)**	**(14 569 167)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(3 976 291)**	**-**	**(3 976 291)**	**(18 545 458)**	**(14 569 167)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (note 40)
Controlling entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	611 328	-	**611 328**	726 277	**114 949**	
Rental income	-	-	**-**	58 056	**58 056**	
Interest received - trading	-	-	**-**	2 550 539	**2 550 539**	
Other income	-	-	**-**	257 003	**257 003**	
Interest received - investment	564 344	-	**564 344**	808 187	**243 843**	
Total revenue from exchange transactions	**1 175 672**	**-**	**1 175 672**	**4 400 062**	**3 224 390**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	-	-	**-**	3 962 250	**3 962 250**	
Transfer revenue						
Government grants and subsidies	129 913 760	-	**129 913 760**	113 734 312	**(16 179 448)**	
Fines, penalties and forfeits	43 106	-	**43 106**	285 650	**242 544**	
Licences and permits	40 068	-	**40 068**	24 267	**(15 801)**	
Total revenue from non-exchange transactions	**129 996 934**	**-**	**129 996 934**	**118 006 479**	**(11 990 455)**	
Total revenue	**131 172 606**	**-**	**131 172 606**	**122 406 541**	**(8 766 065)**	
Expenditure						
Employee related costs	(52 860 362)	-	**(52 860 362)**	(49 687 869)	**3 172 493**	
Remuneration of councillors	(9 879 000)	-	**(9 879 000)**	(10 000 065)	**(121 065)**	
Depreciation and amortisation	-	-	**-**	(29 789 383)	**(29 789 383)**	
Finance costs	(559 160)	-	**(559 160)**	(10 476 402)	**(9 917 242)**	
Operating lease rentals	(8 365)	-	**(8 365)**	(2 116 223)	**(2 107 858)**	
Debt impairment	-	-	**-**	(3 060 086)	**(3 060 086)**	
Repairs and maintenance	(6 413 818)	-	**(6 413 818)**	(2 676 943)	**3 736 875**	
Contracted services	(2 359 328)	-	**(2 359 328)**	(1 709 749)	**649 579**	
Grants and subsidies paid	-	-	**-**	(5 033 220)	**(5 033 220)**	
General expenses	(63 068 864)	-	**(63 068 864)**	(25 878 616)	**37 190 248**	
Total expenditure	**(135 148 897)**	**-**	**(135 148 897)**	**(140 428 556)**	**(5 279 659)**	
Deficit for the year	**(3 976 291)**	**-**	**(3 976 291)**	**(18 022 015)**	**(14 045 724)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(3 976 291)**	**-**	**(3 976 291)**	**(18 022 015)**	**(14 045 724)**	

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives, issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. All figures have been rounded to the nearest Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the economic entity will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Receivables

The economic entity assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the economic entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable (service) amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

Value in use of cash generating assets:

The economic entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including economic factors such as inflation and interest.

Value in use of non-cash generating assets:

The economic entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 Provisions.

Useful lives of property, plant and equipment and other assets

The economic entity's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on industry norm. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the economic entity.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The economic entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. The most appropriate discount rate that reflects the time value of money is with reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the economic entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 13.

Effective interest rate

The economic entity uses the prime interest rate to discount future cash flows.

Allowance for impairment

For receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Accounting Policies

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services; or
- administrative purposes; or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the economic entity, and the cost or fair value can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Subsequent to initial measurement investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value, on a straight line basis over the useful life of the property, which is as follows:

Item	**Useful life**
Property - land	Indefinite
Property - buildings	20-30 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

The gain or loss arising from the derecognition of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset. Such a difference is recognised in surplus or deficit when the investment property is derecognised.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one reporting period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the economic entity; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Accounting Policies

1.4 Property, plant and equipment (continued)

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost), unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at fair value, its cost is measured at the carrying amount of the asset given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the economic entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent to initial measurement property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on a straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	30 years
Community assets	30 years
Furniture and fixtures	7 - 10 years
Infrastructure	15 - 30 years
IT equipment	3 years
Office equipment	3- 7 years
Motor vehicles	5 - 10 years
Plant and machinery	2 - 15 years
Cellular equipment	2 years
Bins and containers	5 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the economic entity to amend the previous estimate; unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit; unless it is included in the carrying amount of another asset.

1.4 Property, plant and equipment (continued)

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. Such a difference is recognised in surplus or deficit when the item is derecognised.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.5 Site restoration and dismantling cost

The economic entity has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities’. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the economic entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the economic entity considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.6 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Classification

The economic entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

The economic entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost

Initial recognition

The economic entity recognises a financial asset or a financial liability in its statement of financial position when the economic entity becomes a party to the contractual provisions of the instrument.

The economic entity recognises financial assets using trade date accounting.

Accounting Policies

1.6 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

The economic entity measures a financial asset and financial liability, other than those subsequently measures at fair value, initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The economic entity measures all other financial assets and financial liabilities initially at fair value.

The economic entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the economic entity analyses a concessionary loan into its component parts and accounts for each component separately. The economic entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

1.6 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The economic entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility in the case of a financial asset.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the economic entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm’s length exchange motivated by normal operating considerations. Valuation techniques include using recent arm’s length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the economic entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on economic entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the economic entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The economic entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due to the economic entity, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

Accounting Policies

1.6 Financial instruments (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Where financial assets are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such financial assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The economic entity derecognises financial assets using trade date accounting.

The economic entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the economic entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the economic entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the economic entity:
  - derecognises the asset; and
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The economic entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished - i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Accounting Policies

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and building elements, the economic entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the economic entity's incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the amounts recognised as revenue and the contractual receipts are recognised as an operating lease asset or liability.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Any contingent rents are recognised separately as revenue in the period in which they are received.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis over the lease term.

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for a nominal cost, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the economic entity incurs to acquire the asset on the reporting date.

Accounting Policies

1.8 Inventories (continued)

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the economic entity.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.9 Value-added Tax (VAT)

The economic entity is registered with the South African Revenue Services (SARS) for VAT on the payments basis, in accordance with Section 15(2) of the VAT Act (Act No. 89 of 1991).

1.10 Impairment of cash-generating assets

Cash-generating assets are those assets held by the economic entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The economic entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the economic entity estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the economic entity also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the economic entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the economic entity applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the economic entity determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the economic entity uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the economic entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The economic entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the economic entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.11 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The economic entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the economic entity estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the economic entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

Accounting Policies

1.11 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the economic entity will not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The economic entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the economic entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.12 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an economic entity after deducting all of its liabilities.

1.13 Statutory receivables

Statutory receivables are receivables that:
- arise from legislation, supporting regulations, or similar means; and
- require settlement by another entity in cash or another financial asset.

Statutory receivables constitute revenue receivable from property rates, fines, penalties, grants and fees charged in terms of legislation.

The economic entity recognises statutory receivables as follows:
- if the transaction is an exchange transaction, using GRAP 9;
- if the transaction is a non-exchange transaction, using GRAP 23;
- if the transaction is not within the scope of either GRAP 9 or GRAP 23, the receivable is recognised when:
  - the definition of an asset is met; and
  - it its probable that future economic benefits or service potential associated with the asset will flow to the economic entity and the transaction amount can be measured reliably.

The economic entity measures a statutory receivable initially at its transaction amount.

The economic entity measures all statutory receivables after initial recognition using the cost method.

Under the cost method the amount recognised initially is only changed subsequently to reflect any:
- interest or other charges that may have accrued on the receivable;
- impairment loss; and
- amounts derecognised.

The economic entity assesses at the end of each reporting period whether there is objective evidence that a statutory receivable or group of statutory receivables is impaired.

For amounts due to the economic entity, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default payments are all considered indicators of impairment.

If there is objective evidence that an impairment loss on statutory receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the estimated future cash flows - discounted if the effect of discounting is material - using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The reversal does not result in a carrying amount of the statutory receivable that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Where statutory receivables are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such receivables are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

The economic entity derecognises a statutory receivable when:
- the rights to the cash flows from the statutory receivable are settled, expire or are waived;
- the economic entity transfers to another party substantially all of the risks and rewards of ownership of the receivable;
- the economic entity, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the economic entity:
  - derecognises the receivable;
  - recognises separately any rights and obligations created or retained in the transfer.

1.13 Statutory receivables (continued)

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are considered for inclusion within the scope of GRAP 104 or another standard of GRAP. Any difference between the consideration received and amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

1.14 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within 12 months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within 12 months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cell phones) for current employees.

When an employee has rendered service to the economic entity during a reporting period, the economic entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the economic entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The economic entity measures the expected cost of accumulating compensated absences as the additional amount that the economic entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The economic entity recognises the expected cost of bonus, incentive and performance related payments when the economic entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the economic entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which the economic entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programs) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the economic entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the economic entity during a reporting period, the economic entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the economic entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within 12 months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the economic entity recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises, because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the economic entity recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The economic entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The economic entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The economic entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

1.14 Employee benefits (continued)

The economic entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the economic entity attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the economic entity attributes benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The economic entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the economic entity re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The economic entity offsets an asset relating to one plan against a liability relating to another plan when the economic entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money are consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.14 Employee benefits (continued)

Other long-term employee benefits

The economic entity has an obligation to provide long-term service allowance benefits to all of its employees.

The economic entity's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for long-term service awards is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The economic entity recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately; and
- the effect of any curtailments or settlements.

Termination benefits

The economic entity recognises termination benefits as a liability and an expense when the economic entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The economic entity is demonstrably committed to a termination when the economic entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer.

1.15 Provisions and contingencies

Provisions are recognised when:
- the economic entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Accounting Policies

1.15 Provisions and contingencies (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the economic entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating expenditure.

If the economic entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when the economic entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the economic entity

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the economic entity.

A contingent liability:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the economic entity; or
- a present obligation that arises from past events but is not recognised because:
  - it is not probable than an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
  - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 31.

1.15 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit;
- if the adjustment results in an addition to the cost of an asset, the economic entity considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the economic entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and accounts for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.10 and 1.11.
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the economic entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the economic entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the economic entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Accounting Policies

1.16 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

Revenue arising from the use by others of municipal assets yielding interest, royalties and dividends or similar distributions is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity; and
- the amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the economic entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the economic entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential are required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the economic entity.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

1.17 Revenue from non-exchange transactions (continued)

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the economic entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the economic entity has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the economic entity.

When, as a result of a non-exchange transaction, the economic entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes (Property rates for municipalities)

The economic entity recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the economic entity controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources.

Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured.

The economic entity analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from services in kind, which are not recognised, the economic entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Collection charges and penalties

Collection charges and penalty interest are recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with the relevant legal requirements (if applicable).

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

The economic entity makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the economic entity considers past history in assessing the likelihood of these discounts or reductions being taken up by debtors.

Where the economic entity collects fines in the capacity of an agent, the fines will not be revenue of the economic entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the economic entity and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind are not recognised.

1.18 Borrowing costs

Borrowing costs are interest and other expenses incurred by the economic entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 41 for detail.

1.20 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by the economic entity otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No. 56 of 2003), and includes:

- overspending of the total amount appropriated in the economic entity's approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of ‘‘allocation’’ otherwise than in accordance with any conditions of the allocation; or
- a grant by the economic entity otherwise than in accordance with the Municipal Finance Management Act.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Accounting Policies

1.22 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the economic entity. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments, relating to income and expenditure, are debited/credit against accumulated surplus when retrospective adjustments are made.

1.24 Commitments

Items are classified as commitments when the economic entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments, which are disclosed in note 30.

Commitments for which disclosure is necessary to achieve a fair presentation are disclosed if both the following criteria are met:

- contracts are non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- contracts relate to something other than the routine, steady, state business of the economic entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.25 Grants in aid

The economic entity transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the economic entity does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving raise to the transfer occurred.

1.26 Budget information

The approved budget is prepared on the accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2014/07/01 to 2015/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.27 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Management are those persons responsible for planning, directing and controlling the activities of the economic entity, including those charged with the governance of the economic entity in accordance with legislation, in instances where they are required to perform such functions.

Accounting Policies

1.27 Related parties (continued)

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the economic entity.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.28 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The economic entity adjusts the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The economic entity discloses the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the economic entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 5 (revised 2013): Borrowing Costs

Benchmark treatment is to recognise borrowing costs as an expense.

Alllowed alternative is to capitalise borrowing costs if it is attributable to the acquisition, construction or production of a qualifying asset. All other instances, expense borrowing costs.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2014.

The economic entity has adopted the amendment for the first time in the 2015 annual financial statements.

The impact of the amendment is not material.

GRAP 100 (revised 2013): Discontinued Operations

All accounting, presentation and disclosure requirements with regards to non-current assets held for sale (or disposal groups) have been deleted. The impact of the amendments is:
- will no longer be required to reclassify assets as held for sale. GRAP 100 now only deals with discontinued operations.
- certain disclosure must be made if, at the reporting date, management has taken a decision to dispose of a significant asset or a group of assets and liabilities. Will fall under the Standard of GRAP on Presentation of Financial Statements.

Measurement requirements are to be applied prospectively and presentation and disclosure requirements are to be applied retrospectively

The effective date of the standard is for years beginning on or after 01 April 2014.

The economic entity has adopted the standard in the 2015 annual financial statements, however, the standard has no effect iin the financial statements

2.2 Standards and interpretations issued, but not yet effective

The economic entity has not applied the following standards and interpretations, which have been published and are mandatory for the economic entity's accounting periods beginning on or after 01 July 2015 or later periods:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the economic entity. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the economic entity's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The economic entity expects to adopt the standard for the first time once it becomes effective.

The adoption of this standard is not expected to impact on the results of the economic entity, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 105: Transfers of Functions Between Entities Under Common Control

The objective of this standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.

A transfer of functions between entities under common control is a reorganisation and / or reallocation of functions between entities that are ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities under common control, the assets and liabilities should be recognised (by the acquirer) at their carrying amounts and should be derecognised (by the transferor) at their carrying amounts.

The difference between the amount of consideration paid or received, if any, and the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

The effective date of the standard is for years beginning on or after 01 April 2015.

The economic entity expects to adopt the standard for the first time in the 2016 annual financial statements.

It is unlikely that the standard will have a material impact on the economic entity's annual financial statements.

GRAP 106: Transfers of Functions Between Entities not Under Common Control

The objective of this standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.

A transfer of functions between entities not under common control is a reorganisation and / or reallocation of functions between entities that are not ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition date fair values.

The difference between the amount of consideration paid, if any, and the carrying amounts of assets acquired and liabilities assumed should be recognised in accumulated surplus / (deficit).

For a transfer of functions between entities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

The effective date of the standard is for years beginning on or after 01 April 2015.

The economic entity expects to adopt the standard for the first time in the 2016 annual financial statements.

It is unlikely that the standard will have a material impact on the economic entity's annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 107: Mergers

The objective of this standard is to establish accounting principles for the combined entity and combining entities in a merger.

A merger is where a new combined entity is started, acquirer can be identified and the combining entities do not have any control over the combined entity.

In the event of a merger, the assets and liabilities should be recognised (by the combined entity) at their carrying amounts and should be derecognised (by the combining entities) at their carrying amounts.

The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

The effective date of the standard is for years beginning on or after 01 April 2015.

The economic entity expects to adopt the standard for the first time in the 2016 annual financial statements.

It is unlikely that the standard will have a material impact on the economic entity's annual financial statements.

GRAP 20: Related Parties

The objective of this standard is to ensure that a reporting entity’s annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The economic entity (in this standard referred to as the reporting entity) applies this standard in:
- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between the economic entity and its related parties;
- identifying the circumstances in which disclosure of the items in bullet one and two is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users’ assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the reporting entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:
- A person or a close member of that person’s family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- close member of the family of a person;
- management;
- related parties;
- remuneration; and
- significant influence.

The standard sets out the requirements, inter alia, for the disclosure of:

- control;
- related party transactions; and
- remuneration of management.

Only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

The standard requires that remuneration of management must be disclosed per person and in aggregate.

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The economic entity expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the economic entity's annual financial statements.

GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements

The definition of ‘minority interest’ has been amended to ‘non-controlling interest’, and paragraph .60 was added by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

Paragraph .59 was amended by Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107] from the date at which it first applied the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .03, .39, .47 to .50 and added paragraphs .51 to .58 and .61 to .62. An entity shall apply these amendments when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

An entity shall apply this amendment for annual financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The economic entity expects to adopt the amendment for the first time in the 2016 annual financial statements.

It is unlikely that the amendment will have a material impact on the economic entity's annual financial statements.

GRAP 32: Service Concession Arrangements: Grantor

The standard applies to a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator providing the mandated function on behalf of the grantor can either be a private party or another public sector entity. The standard applies to the grantor only.

PPP agreements that are governed and regulated in terms of the PFMA and MFMA, are some of the arrangements that fall within the scope of GRAP 32. For any other arrangements that meet the control criteria as set out in paragraph .07 of GRAP 32 the principles in the standard on accounting for such arrangements will apply.

An asset provided by the operator, or an upgrade to an existing asset, is recognised as a service concession asset with a corresponding liability, being the performance obligation, if certain criteria and conditions are met.

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The economic entity expects to adopt the standard for the first time once it becomes effective, but has already formulated an accounting policy for this reporting period based on the standard.

It is unlikely that the standard will have a material impact on the economic entity's annual financial statements.

GRAP 108: Statutory Receivables

GRAP 108 only deals with those receivables that arise from legislation or an equivalent means, such as regulations, bylaws or other documents issued in terms of legislation, such as ministerial orders and cabinet or municipal council decisions. Therefore in order to be statutory in nature specific legislation should require the economic entity to undertake the transactions, such as outlining who should be taxed and at what rates and amounts.

Statutory receivables are not contractual receivables, the latter of which would normally meet the definition of a financial asset and will be within the scope of the Standard of GRAP on Financial Instruments. Statutory receivables are not voluntarily entered into as with contractual receivables because they arise as a result of specific legislative requirements.

Statutory receivables are initially measured at their transaction amount and subsequently using the cost method.

Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The economic entity expects to adopt the standard for the first time once it becomes effective, but has already formulated an accounting policy for this reporting period based on the standard.

The impact of this standard is currently being assessed.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This interpretation provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this interpretation need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

This interpretation concludes on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The interpretation has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The economic entity expects to adopt the interpretation for the first time once it becomes effective, but has already formulated an accounting policy for this reporting period based on the interpretation.

It is unlikely that the interpretation will have a material impact on the economic entity's annual financial statements.

Directive 11: Changes in Measurement Bases Following the Initial Adoption of Standards of GRAP

The objective of this directive is to permit the economic entity to change its measurement bases following the initial adoption of Standards of GRAP. The change is based on the principles in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. This directive should therefore be read in conjunction with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

In applying paragraph 13(b) of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors, this directive allows the economic entity, that has initially adopted the fair value model for investment property or the revaluation model for property, plant and equipment, intangible assets or heritage assets, to change its accounting policy on a once-off basis to the cost model when the economic entity elects to change its accounting policy following the initial adoption of these Standards of GRAP. The once-off change will be allowed when the economic entity made an inappropriate accounting policy choice on the initial adoption of the Standards of GRAP.

Subsequent to the application of this directive, the economic entity will be allowed to change its accounting policy in future periods subject to it meeting the requirements in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The effective date of the directive is for years beginning on or after 01 April 2015.

The economic entity expects to adopt the directive for the first time in the 2016 annual financial statements.

The impact of this standard is currently being assessed.

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	**2015**	**2014**	**2015**	**2014**

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	7 661	(36)	7 661	(36)
Bank balances	639 096	3 470 285	-	3 401 550
Short-term deposits	9 007 952	11 240 797	9 007 952	11 240 797
Bank overdraft	-	-	(45 125)	-
	9 654 709	**14 711 046**	**8 970 488**	**14 642 311**

Current assets	9 699 834	14 711 046	9 015 613	14 642 311
Current liabilities	(45 125)	-	(45 125)	-
	9 654 709	**14 711 046**	**8 970 488**	**14 642 311**

The economic entity has the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
ABSA Bank -Current Account Operational 9269	(45 125)	3 401 550	2 960 033	(45 125)	3 401 550	2 960 033
ABSA - Salaries Call Account - 9269487272	3 883 857	1 238 979	1 000	3 883 857	1 238 979	1 000
ABSA -MSP Fund Call account 9084929972	2 391	2 339	2 302	2 391	2 339	2 302
ABSA- Repairs Call Account - 9084721344	2 583 734	2 320 921	2 497 163	2 583 734	2 320 921	2 497 163
ABSA Call Account- FMG - 9269486056	1 001 162	3 242 684	2 888 440	1 001 162	3 242 684	2 888 440
ABSA - MIG Call Account - 9269486187	2 345	928 445	1 000	2 345	928 445	1 000
ABSA - LED Account - 9269487159	121 551	2 290 757	350 364	121 551	2 290 757	350 364
ABSA - Traffic Call Account - 9279313891	5 487	5 273	5 085	5 487	5 273	5 085
ABSA - Plant Call Account - 9279313922	1 407 425	1 211 398	6 202 347	1 407 425	1 211 398	6 202 347
Salaries Account - PSJDA 4063208356	600 351	891	263	600 351	891	263
Primary Bank Account 4060642488	83 331	47 468	(8 184)	83 331	47 468	(8 184)
Current Account - Other 4062674766	-	-	111	-	-	111
Current Account - Mngazi to Manteku - 4041654521	539	20 352	23 117	539	20 352	23 117
Current Account - Small-scale Fish- 40637479179	-	25	25	-	25	25
Petty cash	7 661	(36)	116	7 661	(36)	116
Total	**9 654 709**	**14 711 046**	**14 923 182**	**9 654 709**	**14 711 046**	**14 923 182**

4. Receivables from exchange transactions

Gross balances				
Refuse	4 156 159	3 301 833	4 156 159	3 301 833
Property lease rental	161 616	161 616	161 616	161 616
	4 317 775	**3 463 449**	**4 317 775**	**3 463 449**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	**2015**	**2014**	**2015**	**2014**

4. Receivables from exchange transactions (continued)

Less: Allowance for impairment				
Refuse	(2 627 501)	(2 962 885)	(2 627 501)	(2 962 885)
Property lease rental	(145 454)	(139 079)	(145 454)	(139 079)
	(2 772 955)	**(3 101 964)**	**(2 772 955)**	**(3 101 964)**
Net balance				
Refuse	1 528 658	338 948	1 528 658	338 948
Property lease rental	16 162	22 538	16 162	22 538
	1 544 820	**361 486**	**1 544 820**	**361 486**
Refuse				
Current (0 -30 days)	292 588	117 227	292 588	117 227
31 - 60 days	92 324	56 096	92 324	56 096
61 - 90 days	90 902	171 985	90 902	171 985
91 - 120 days	3 680 346	2 956 525	3 680 346	2 956 525
Less: Allowance for impairment	(2 627 501)	(2 962 885)	(2 627 501)	(2 962 885)
	1 528 659	**338 948**	**1 528 659**	**338 948**
Lease Rental				
120+ days	16 162	22 538	16 162	22 538
Reconciliation of allowance for impairment				
Balance at beginning of the year	(3 101 964)	(2 435 758)	(3 101 964)	(2 435 758)
Debt impairment written off against allowance	-	(666 206)	-	(666 206)
Reversal of allowance	329 009	-	329 009	-
	(2 772 955)	**(3 101 964)**	**(2 772 955)**	**(3 101 964)**

Consumer debtors pledged as security

No receivables from exchange transactions have been pledged as security.

Credit quality of receivables from exchange transactions

The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates.

Receivables from exchange transactions past due but not impaired

Receivables from exchange transactions which are less than 30 days past due are not considered to be impaired. At 30 June 2015, R1 463 092 (2014: R 339 402) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	138 795	12 034	138 795	12 034
2 months past due	38 868	5 867	38 868	5 867
3 months past due	1 285 429	321 501	1 285 429	321 501

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	**2015**	**2014**	**2015**	**2014**

5. Receivables from non-exchange transactions

Gross balances				
Rates	18 085 055	15 257 964	18 085 055	15 257 964
Traffic fines	511 943	275 030	509 113	265 413
	18 596 998	**15 532 994**	**18 594 168**	**15 523 377**
Less: Allowance for impairment				
Rates	(16 445 482)	(13 246 180)	(16 445 482)	(13 246 180)
Traffic fines	(432 618)	(242 825)	(432 618)	(242 825)
	(16 878 100)	**(13 489 005)**	**(16 878 100)**	**(13 489 005)**
Net balance				
Rates	1 639 573	2 011 783	1 639 573	2 011 783
Traffic fines debtors	79 326	32 205	76 495	22 587
	1 718 899	**2 043 988**	**1 716 068**	**2 034 370**
Rates				
Current (0 -30 days)	994 096	722 341	994 096	722 341
31 - 60 days	243 156	84 280	243 156	84 280
61 - 90 days	241 032	327 709	241 032	327 709
91+ days	16 606 771	14 123 633	16 606 771	14 123 633
Less: Allowance for impairment	(16 445 482)	(13 246 180)	(16 445 482)	(13 246 180)
	1 639 573	**2 011 783**	**1 639 573**	**2 011 783**
Traffic fines				
Current (0 -30 days)	47 194	275 031	44 363	265 413
31 - 60 days	22 480	-	22 480	-
61 - 90 days	8 873	-	8 873	-
91 - 120 days	433 397	-	433 397	-
Less: Allowance for impairment	(432 618)	(242 826)	(432 618)	(242 826)
	79 326	**32 205**	**76 495**	**22 587**

6. VAT receivable

VAT	23 680 577	16 703 364	28 116 815	20 859 393

	2015	**2014**	**2015**	**2014**
Cash-basis				
VAT Input	(9 515 713)	(9 319 224)	(9 515 713)	(9 313 224)
VAT Output	315 226	315 225	315 226	315 225
VAT Control	16 432 309	31 952 440	20 868 547	36 108 469
SARS assessment - provisional	6 646 881	(18 530 127)	6 646 881	(18 530 127)
VAT adjustment	(509 181)	116 636	(509 180)	116 636
Total	**12 751 408**	**4 534 950**	**17 805 761**	**8 690 979**
Accrual -basis				
Creditors VAT - provisional	10 748 110	12 545 011	10 748 110	12 545 011
Debtors VAT provisional	(437 056)	(376 597)	(437 056)	(376 597)
Total	**10 311 055**	**12 168 414**	**10 311 054**	**12 168 414**
Grand Total	**23 580 577**	**16 703 364**	**28 116 815**	**20 859 393**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	**2015**	**2014**	**2015**	**2014**

7. Inventories

	520 855	595 375	520 855	595 375

7.1 Inventory is categorised as follows;

Construction material	243 482	177 021	243 482	177 021
Protective and cleaning materials	45 550	352 708	45 550	352 708
Gardening	25 190	2 932	25 190	2 932
Mechanical tools	38 425	4 581	38 425	4 581
Spare parts	46 438	44 207	46 438	44 207
Fuel and oil	121 770	10 326	121 770	10 326
Sports equipment	-	3 600	-	3 600
	520 855	**595 375**	**520 855**	**595 375**

Inventory pledged as security

No inventory item was pledged as security for any credit facility.

8. Investment property

Economic entity	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	11 461 003	-	11 461 003	11 461 003	-	11 461 003

Controlling entity	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	11 461 003	-	11 461 003	11 461 003	-	11 461 003

Reconciliation of investment property - Economic entity - 2015

	Opening balance	Total
Investment property	11 461 003	11 461 003

Reconciliation of investment property - Economic entity - 2014

	Opening balance	Impairments	Reversal of fair value adjustments	Total
Investment property	14 023 003	(1 897 080)	(664 920)	11 461 003

8. Investment property (continued)

Reconciliation of investment property - Controlling entity - 2015

	Opening balance	Total
Investment property	11 461 003	11 461 003

Reconciliation of investment property - Controlling entity - 2014

	Opening balance	Impairments	Reversal of fair value adjustments	Total
Investment property	14 023 003	(1 897 080)	(664 920)	11 461 003

Rental income from the Investment Properties	58 056	60 637	58 056	60 637

Pledged as security

None of the above investment property has been pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

9. Property, plant and equipment

Economic entity	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	68 489 853	(1 146 169)	67 343 684	68 148 416	(641 838)	67 506 578
Plant and machinery	31 050 302	(7 037 405)	24 012 897	34 320 014	(4 856 919)	29 463 095
Furniture and fixtures	924 603	(450 009)	474 594	863 726	(391 317)	472 409
Motor vehicles	3 128 293	(1 669 409)	1 458 884	3 223 553	(1 422 848)	1 800 705
Office equipment	322 022	(151 964)	170 058	273 035	(140 356)	132 679
IT equipment	1 373 778	(797 052)	576 726	1 755 452	(1 188 949)	566 503
Infrastructure	342 326 393	(147 890 154)	194 436 239	325 468 283	(123 001 374)	202 466 909
Community	13 055 758	(2 773 415)	10 282 343	13 055 758	(2 291 155)	10 764 603
Other property, plant and equipment	14 300	(14 299)	1	14 300	(10 140)	4 160
Infrastructure WIP	43 827 737	-	43 827 737	40 668 172	-	40 668 172
Cellular equipment	855 529	(445 393)	410 136	405 312	(105 822)	299 490
Signage	24 436	(12 087)	12 349	16 000	(7 200)	8 800
Total	**505 393 004**	**(162 387 356)**	**343 005 648**	**488 212 021**	**(134 057 918)**	**354 154 103**

9. Property, plant and equipment (continued)

Controlling entity	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	68 489 853	(1 146 169)	67 343 684	68 148 416	(641 838)	67 506 578
Plant and machinery	31 036 983	(7 024 086)	24 012 897	34 306 696	(4 845 598)	29 461 098
Furniture and fixtures	754 805	(297 328)	457 477	693 926	(251 957)	441 969
Motor vehicles	2 437 962	(1 345 705)	1 092 257	2 964 547	(1 163 843)	1 800 704
Office equipment	320 004	(151 405)	168 599	273 035	(140 356)	132 679
IT equipment	1 099 934	(529 037)	570 897	1 485 556	(926 712)	558 844
Infrastructure	342 326 393	(147 890 154)	194 436 239	325 468 283	(123 001 374)	202 466 909
Community	13 055 758	(2 773 415)	10 282 343	13 055 758	(2 291 155)	10 764 603
Infrastructure WIP	43 827 737	-	43 827 737	40 668 172	-	40 668 172
Cellular equipment	855 529	(445 393)	410 136	405 312	(105 822)	299 490
Total	**504 204 958**	**(161 602 692)**	**342 602 266**	**487 469 701**	**(133 368 655)**	**354 101 046**

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic entity - 2015

	Opening balance	Additions	Additions through entity combinations	Disposals	Other movements	Other changes movements	Depreciation	Total
Buildings	67 506 578	341 437	-	-	-	-	(504 330)	67 343 685
Plant and machinery	29 463 095	394 900	-	-	(848 995)	(2 160 113)	(2 835 990)	24 012 897
Furniture and fixtures	472 409	140 176	-	-	-	(69 922)	(68 069)	474 594
Motor vehicles	1 800 704	431 325	-	(526 585)	-	238 160	(484 720)	1 458 884
Office equipment	132 679	123 758	(74 771)	-	-	42 646	(54 254)	170 058
IT equipment	566 503	335 657	-	-	-	(115 858)	(209 576)	576 726
Infrastructure	202 466 909	16 704 486	-	-	-	(3 711)	(24 731 446)	194 436 238
Community	10 764 603	-	-	-	-	-	(482 260)	10 282 343
Security measures	4 160	-	-	-	-	-	(4 159)	1
Infrastructure WIP	40 668 172	19 651 395	-	-	-	6 525	(16 498 355)	43 827 737
Cellular equipment	299 490	450 217	-	-	-	-	(339 571)	410 136
Signage	8 800	8 436	-	-	-	-	(4 887)	12 349
	354 154 102	**38 581 787**	**(74 771)**	**(526 585)**	**(848 995)**	**(2 062 273)**	**(46 217 617)**	**343 005 648**

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic entity - 2014

	Opening balance	Additions	Depreciation	Total
Buildings	59 012 866	8 828 326	(334 614)	67 506 578
Plant and machinery	8 159 683	23 242 493	(1 939 081)	29 463 095
Furniture and fixtures	280 081	262 331	(70 003)	472 409
Motor vehicles	1 750 452	375 473	(325 221)	1 800 704
Office equipment	147 489	26 670	(41 480)	132 679
IT equipment	636 715	121 710	(191 922)	566 503
Infrastructure	220 978 079	6 915 122	(25 426 292)	202 466 909
Community	11 247 798	-	(483 195)	10 764 603
Security measures	8 922	-	(4 762)	4 160
Infrastructure WIP	36 976 926	3 691 246	-	40 668 172
Cellular equipment	405 312	-	(105 822)	299 490
Signage	12 000	-	(3 200)	8 800
	339 616 323	**43 463 371**	**(28 925 592)**	**354 154 102**

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2015

	Opening balance	Additions	Additions through entity combinations	Disposals	Other movements	Other changes, movements	Depreciation	Total
Buildings	67 506 578	341 437	-	-	-	-	(504 330)	67 343 685
Plant and machinery	29 461 098	394 900	-	-	(848 995)	(2 160 112)	(2 833 994)	24 012 897
Furniture and fixtures	441 969	140 176	-	-	-	(69 922)	(54 746)	457 477
Motor vehicles	1 800 703	-	-	(526 585)	238 160	-	(420 021)	1 092 257
Office equipment	132 679	121 740	(74 771)	-	42 646	-	(53 694)	168 600
IT equipment	558 843	331 710	-	-	(115 858)	-	(203 798)	570 897
Infrastructure	202 466 909	16 704 486	-	-	(3 711)	-	(24 731 446)	194 436 238
Community	10 764 603	-	-	-	-	-	(482 260)	10 282 343
Infrastructure WIP	40 668 172	19 651 395	-	-	6 525	-	(16 498 355)	43 827 737
Cellular equipment	299 490	450 217	-	-	-	-	(339 571)	410 136
	354 101 044	**38 136 061**	**(74 771)**	**(526 585)**	**(681 233)**	**(2 230 034)**	**(46 122 215)**	**342 602 267**

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2014

	Opening balance	Additions	Depreciation	Total
Buildings	59 012 866	8 828 326	(334 614)	67 506 578
Plant and machinery	8 155 022	23 242 493	(1 936 417)	29 461 098
Furniture and fixtures	254 977	245 108	(58 116)	441 969
Motor vehicles	1 750 451	375 473	(325 221)	1 800 703
Office equipment	147 489	26 670	(41 480)	132 679
IT equipment	630 514	115 070	(186 741)	558 843
Infrastructure	220 978 079	6 915 122	(25 426 292)	202 466 909
Community	11 247 798	-	(483 195)	10 764 603
Infrastructure WIP	36 976 926	3 691 246	-	40 668 172
Cellular equipment	405 312	-	(105 822)	299 490
	339 559 434	**43 439 508**	**(28 897 898)**	**354 101 044**

Pledged as security

None of the above property, plant and equipment has been pledged as security.

The economic entity has purchased plant and machinery through an instalment sale agreement as well as cellular equipment.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the economic entity.

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	**2015**	**2014**	**2015**	**2014**

10. Payables from exchange transactions

Trade payables	12 410 610	10 836 916	10 978 832	9 736 407
Payments received in advanced - contract in process	782 385	716 820	782 385	716 820
Staff union fees	529	-	-	-
OR Tambo District Municipality Loan	8 741 327	8 741 382	8 741 167	8 741 169
Deposits received	61 000	61 000	61 000	61 000
Other payables	91 829	81 441	-	-
Retention	412 705	547 562	412 705	547 562
South African Revenue Services	210 849	307 616	-	-
	22 711 234	**21 292 737**	**20 976 089**	**19 802 958**

11. Finance lease obligation

Minimum lease payments due				
- within one year	14 442 290	17 006 626	14 345 532	16 973 493
- in second to fifth year exclusive	406 824	14 107 936	125 525	14 080 282
	14 849 114	31 114 562	14 471 057	31 053 775
Less: future finance charges	(2 844 066)	(10 843 326)	(2 844 066)	(10 843 326)
Present value of minimum lease payments	**12 005 048**	**20 271 236**	**11 626 991**	**20 210 449**

Present value of minimum lease payments due				
- within one year	11 623 506	8 813 774	11 526 747	8 780 640
- in second to fifth year exclusive	381 543	11 457 462	100 244	11 429 808
	12 005 049	**20 271 236**	**11 626 991**	**20 210 448**

Non-current liabilities	386 832	11 457 462	100 244	11 429 808
Current liabilities	11 618 217	8 813 774	11 526 747	8 780 640
	12 005 049	**20 271 236**	**11 626 991**	**20 210 448**

It is economic entity policy to lease certain motor vehicles and equipment under finance leases.

The average lease term was 2.5 years and the average effective borrowing rate was 9% (2014: 12%).

Interest rates are linked to prime at the contract date. All leases escalate at 9% p.a and no arrangements have been entered into for contingent rent.

The economic entity's obligations under finance leases are secured by the lessor's charge over the leased assets.

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts				
Unspent grants	24 767 962	14 163 030	24 767 962	14 163 030
Project funds - Mngazi to Manteku	20 095	20 095	-	-
Project funds - Small-scale Fish factory	1 011 550	1 011 550	-	-
Project funds - Cutweni/National Treasury	1 225 989	1 225 989	6 000	6 000
	27 025 596	**16 420 664**	**24 773 962**	**14 169 030**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	**2015**	**2014**	**2015**	**2014**

12. Unspent conditional grants and receipts (continued)

Movement during the year

Balance at the beginning of the year	16 420 664	8 646 618	14 169 030	8 646 618
Additions during the year	46 862 832	42 810 363	44 699 360	39 477 030
Income recognised during the year	(31 224 680)	(35 036 317)	(29 061 208)	(33 954 618)
	32 058 816	**16 420 664**	**29 807 182**	**14 169 030**

See note 20 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised. Refer to Note 3.

13. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value				
Present value of long service awards obligation	(1 981 000)	(1 822 000)	(1 981 000)	(1 822 000)
Non-current liabilities	(1 472 000)	(1 369 000)	(1 472 000)	(1 369 000)
Current liabilities	(509 000)	(453 000)	(509 000)	(453 000)
	(1 981 000)	**(1 822 000)**	**(1 981 000)**	**(1 822 000)**

Changes in the present value of the long service award obligation are as follows:

Opening balance	1 822 000	1 395 000	1 822 000	1 395 000
Net expense recognised in the statement of financial performance	159 000	427 000	159 000	427 000
	1 981 000	**1 822 000**	**1 981 000**	**1 822 000**

Net expense of the long service awards obligation recognised in the statement of financial performance

Opening balance	427 000	-	427 000	-
Current service cost	298 000	232 000	298 000	232 000
Benefit paid	(85 821)	(40 032)	(85 821)	(40 032)
Interest cost	155 000	108 000	155 000	108 000
Actuarial (gains) losses	(208 179)	127 032	(208 179)	127 032
	586 000	**427 000**	**586 000**	**427 000**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8.00 %	8.00 %	8.00 %	8.00%
CPI (Consumer Price Inflation)	6.00 %	6.00 %	6.00%	6.00%
Expected increase in salaries	7.00 %	7.00 %	7.00%	7.00%
Net effective discount rate	0.65 %	1.00 %	0.65%	1.00%

The basis used to determine the net effective discount rate is the relationship between the discount rate for each relevant time period and the yield curve based salary inflation for each relevant time period.

	Economic entity		Controlling entity	
Figures in Rand	2015	2014	2015	2014

13. Employee benefit obligations (continued)

Other assumptions

Assumed trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in the assumed normal salary inflation cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	540 000	481 000	540 000	481 000
Effect on defined benefit obligation	1 883 000	1 883 000	2 089 000	1 883 000

14. Provisions

Reconciliation of provisions - Economic entity - 2015

	Opening Balance	Additions	Other adjustment during the year	Interest on liability at year end	Increase due to unwinding of discount factor	Total
Environmental rehabilitation	4 343 092	206 131	57 162	-	195 439	4 801 824
VAT / Tax Provision	2 720 232	-	-	639 622	-	3 359 854
	7 063 324	**206 131**	**57 162**	**639 622**	**195 439**	**8 161 678**

Reconciliation of provisions - Economic entity - 2014

	Opening Balance	Additions	Total
Environmental rehabilitation	773 461	3 569 631	4 343 092
VAT / Tax Provision	2 720 232	-	2 720 232
	3 493 693	**3 569 631**	**7 063 324**

Reconciliation of provisions - Controlling entity - 2015

	Opening Balance	Additions	Other adjustment during the year	Increase due to unwinding of discount	Total
Environmental rehabilitation - landfill sites	4 343 092	206 131	57 162	195 439	4 801 824

Reconciliation of provisions - Controlling entity - 2014

	Opening Balance	Additions	Total
Environmental rehabilitation - landfill sites	773 461	3 569 631	4 343 092

Non-current liabilities	4 801 824	4 343 092	4 801 824	4 343 092
Current liabilities	3 359 854	2 720 232	-	-
	8 161 678	**7 063 324**	**4 801 824**	**4 343 092**

The landfill site provision relates to the costs of rehabilitating the landfill site when it reaches the end of its useful lives in 2035 and has been discounted to reflect its present value.

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	**2015**	**2014**	**2015**	**2014**
15. Revenue				
Service charges	726 277	715 185	726 277	715 185
Property rates	3 962 250	6 628 698	3 962 250	6 628 698
Government grants and subsidies	113 734 312	111 468 617	113 734 312	111 468 617
Interest received - trading	2 551 169	2 172 152	2 550 539	2 172 148
Interest received - investment	808 187	847 044	808 187	847 044
Rental income	58 056	60 637	58 056	60 637
Other income	257 203	214 835	257 003	214 831
Fines, penalties and forfeits	285 650	296 600	285 650	296 600
Licence and permits	24 267	18 706	24 267	18 706
	122 407 371	**122 422 474**	**122 406 541**	**122 422 466**
The amount included in revenue arising from exchange transactions are as follows:				
Service charges	726 277	715 185	726 277	715 185
Rental of facilities and equipment	58 056	60 637	58 056	60 637
Interest received (trading)	2 551 169	2 172 152	2 550 539	2 172 148
Other income	257 203	214 835	257 003	214 831
Interest received - investment	808 187	847 044	808 187	847 044
	4 400 892	**4 009 853**	**4 400 062**	**4 009 845**
The amount included in revenue arising from non-exchange transactions are as follows:				
Taxation revenue				
Property rates	3 962 250	6 628 698	3 962 250	6 628 698
Transfer revenue				
Government grants and subsidies	113 734 312	111 468 617	113 734 312	111 468 617
Fines, penalties and forfeits	285 650	296 600	285 650	296 600
Licence and permits	24 267	18 706	24 267	18 706
	118 006 479	**118 412 621**	**118 006 479**	**118 412 621**
16. Interest Received - Investments				
Interest revenue				
Investments	-	861 465	-	861 465
Bank	808 187	(14 421)	808 187	(14 421)
	808 187	**847 044**	**808 187**	**847 044**
17. Rental income				
Premises	58 056	60 637	58 056	60 637
18. Other income				
Insurance claims received	74 529	-	74 529	-
Plan and tender documents fees	145 856	167 522	145 656	167 518
Sundry income	4 388	18 010	4 388	18 010
Grave sites	31 430	29 303	31 430	29 303
Donations and grants	1 000	-	1 000	-
	257 203	**214 835**	**257 003**	**214 831**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	**2015**	**2014**	**2015**	**2014**

19. Property rates

Rates received

Residential	(15 618)	607 000	(15 618)	607 000
Commercial	-	2 278 815	-	2 278 815
State	3 977 868	3 742 883	3 977 868	3 742 883
	3 962 250	**6 628 698**	**3 962 250**	**6 628 698**

Income forgone relates to discounts granted to ratepayers as per the approved municipal tariff schedule and policy.

Valuations

Residential	129 006 759	95 794 000	129 006 759	95 794 000
Commercial	101 936 140	199 432 500	101 936 140	199 432 500
State	60 255 900	155 701 000	60 255 900	155 701 000
Small holdings and farms	23 312 750	27 827 525	23 312 750	27 827 525
Churches	-	3 826 525	-	3 826 525
Vacant plots	42 309 669	29 007 500	42 309 669	29 007 500
	356 821 218	**511 589 050**	**356 821 218**	**511 589 050**

Valuations on land and buildings are performed every four (4) years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R0.01 (2014: R 0.01) is applied to property valuations to determine assessment rates. Rebates of 30% (2014: 30%) are granted to state property owners.

	Economic entity		Controlling entity	
Figures in Rand	2015	2014	2015	2014

20. Government grants and subsidies

Operating grants				
Equitable share	84 610 000	77 514 000	84 610 000	77 514 000
EPWP	769 207	1 667 646	769 207	1 667 646
Municipal Systems Improvement Grant	799 404	890 000	799 404	890 000
Financial Management Grant	669 326	1 607 946	669 326	1 607 946
LG SETA	552 450	-	552 450	-
Municipal Support Programme	400 045	887 843	400 045	10 650
Local Economic Development	1 935 322	1 702 095	1 935 321	2 579 288
	89 735 754	84 269 530	89 735 753	84 269 530
Capital grants				
Municipal Infrastructure Grant	23 998 559	27 199 087	23 998 559	27 199 087
	23 998 559	27 199 087	23 998 559	27 199 087
	113 734 313	**111 468 617**	**113 734 312**	**111 468 617**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of 50 kWh which is funded from the equitable share grant.

Grants

Balance unspent at beginning of year	14 163 030	8 646 618	14 163 030	8 646 618
Current - year receipts	44 699 360	39 471 030	44 699 360	39 471 030
Conditions met - transferred to revenue	(29 061 209)	(33 954 618)	(29 061 209)	(33 954 618)
	29 801 181	**14 163 030**	**29 801 181**	**14 163 030**

Municipal Infrastructure Grant

Balance unspent at beginning of year	7 541 467	6 374 554	7 541 467	6 374 554
Current - year receipts	36 998 000	28 366 000	36 998 000	28 366 000
Conditions met - transferred to revenue	(23 998 559)	(27 199 087)	(23 998 559)	(27 199 087)
	20 540 908	**7 541 467**	**20 540 908**	**7 541 467**

Conditions still to be met - remain liabilities (see note 12).

To provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions, servicing poor communities.

Finance Management Grant

Balance unspent at beginning of year	42 054	-	42 054	-
Current - year receipts	1 800 000	1 650 000	1 800 000	1 650 000
Conditions met - transferred to revenue	(669 326)	(1 607 946)	(669 326)	(1 607 946)
	1 172 728	**42 054**	**1 172 728**	**42 054**

Conditions still to be met - remain liabilities (see note 12).

To promote and support reforms in financial management by building capacity in the economic entity to implement the MFMA.

Municipal System Improvement Grant

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2015	2014	2015	2014

20. Government grants and subsidies (continued)

Current - year receipts	934 000	890 000	934 000	890 000
Conditions met - transferred to revenue	(799 404)	(890 000)	(799 404)	(890 000)
	134 596	**-**	**134 596**	**-**

Conditions still to be met - remain liabilities (see note 12).

To assist the economic entity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act.

Extended Public Works Programme

Balance unspent at beginning of year	-	667 646	-	667 646
Current - year receipts	1 119 000	1 000 000	1 119 000	1 000 000
Conditions met - transferred to revenue	(769 207)	(1 667 646)	(769 207)	(1 667 646)
	349 793	**-**	**349 793**	**-**

Conditions still to be met - remain liabilities (see note 12).

To incentives economic entity to expand work creation efforts through use of labour intensive delivery methods in identified focus areas.

Municipal Support Grant

Balance unspent at beginning of year	2 857 994	1 245 837	3 735 187	1 245 837
Current - year receipts	1 500 000	2 500 000	1 500 000	2 500 000
Conditions met - transferred to revenue	(1 277 238)	(887 843)	(400 045)	(10 650)
	3 080 756	**2 857 994**	**4 835 142**	**3 735 187**

Conditions still to be met - remain liabilities (see note 12).

LG SETA

Balance unspent at beginning of year	384 336	303 581	384 336	303 581
Current - year receipts	948 360	80 755	948 360	80 755
Conditions met - transferred to revenue	(552 450)	-	(552 450)	-
	780 246	**384 336**	**780 246**	**384 336**

Conditions still to be met - remain liabilities (see note 12).

Local Economic Development

Balance unspent at beginning of year	3 227 180	-	2 349 987	-
Current - year receipts	1 300 000	4 929 275	1 300 000	4 929 275
Conditions met - transferred to revenue	(2 461 635)	(1 702 095)	(1 935 321)	(2 579 288)
	2 065 545	**3 227 180**	**1 714 666**	**2 349 987**

Conditions still to be met - remain liabilities (see note 12).

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2015	2014	2015	2014

20. Government grants and subsidies (continued)

Department of Sports, Recreation, Arts and Culture

Balance unspent at beginning of year	110 000	55 000	110 000	55 000
Current - year receipts	100 000	55 000	100 000	55 000
	210 000	**110 000**	**210 000**	**110 000**

Conditions still to be met - remain liabilities (see note 12).

Local government grant

Current - year receipts	4 415 105	-	-	-
Conditions met - transferred to revenue	(3 011 597)	-	-	-
	1 403 508	**-**	**-**	**-**

Conditions still to be met - remain liabilities (see note 12).

21. Employee related costs

Basic	38 433 034	28 647 744	35 899 651	26 530 166
Bonus	(301 605)	66 288	(301 605)	66 288
Medical aid - company contributions	3 296 092	3 198 905	3 296 092	3 198 905
UIF	641 555	471 300	641 555	471 300
SDL	317 034	434 850	317 034	434 850
Other payroll levies	1 665 400	-	1 665 400	-
Leave pay provision charge	10 388	353 364	-	308 730
Defined contribution plans	4 320 202	4 422 430	4 320 202	4 422 430
Travel, motor car, accommodation, subsistence and other allowances	3 845 540	3 580 628	3 845 540	3 580 628
Long-service awards	4 000	319 000	4 000	319 000
	52 231 640	**41 494 509**	**49 687 869**	**39 332 297**

Remuneration of the Acting Municipal Manager - Mr M Sondaba (appointed in October 2014)

Travel allowance	44 215	-	44 215	-
Subsistence allowances	2 080	-	2 080	-
	46 295	**-**	**46 295**	**-**

Remuneration of the Deputy Chief Financial Officer - Mrs T Sikolo (resigned 31 March 2015)

Acting Allowance	143 430	240 387	143 430	240 387

Remuneration of Corporate Services Manager - Mr F Guleni

Annual remuneration	606 000	606 000	606 000	606 000
Car allowance	180 000	180 000	180 000	180 000
Other allowances	228 988	174 000	228 988	174 000
Contributions to UIF, medical and pension funds	2 203	1 785	2 203	1 785
	1 017 191	**961 785**	**1 017 191**	**961 785**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	**2015**	**2014**	**2015**	**2014**

21. Employee related costs (continued)

Remuneration of Community Services Manager- Mr T Mvukuzo

Annual remuneration	726 600	726 600	726 600	726 000
Car allowance	172 176	172 176	172 176	172 176
Other allowances	113 836	61 224	113 836	61 224
Acting allowance	11 486	-	11 486	-
Contributions to UIF, medical and pension funds	2 203	1 785	2 203	1 785
	1 026 301	**961 785**	**1 026 301**	**961 185**

Remuneration of Engineering Manager - Mr B Tshitshi

Annual remuneration	696 769	606 000	696 769	606 000
Car allowance	140 000	180 000	140 000	180 000
Other allowances	156 832	174 000	156 832	174 000
Contributions to UIF, medical and pension funds	2 203	1 785	2 203	1 785
	995 804	**961 785**	**995 804**	**961 785**

Remuneration of LED Manager - Ms Z Masumpa

Annual remuneration	726 600	726 600	726 600	726 600
Car allowance	172 176	172 716	172 176	172 716
Other allowances	134 828	61 224	134 828	61 224
Contributions to UIF, medical and pension funds	2 203	1 785	2 203	1 785
	1 035 807	**962 325**	**1 035 807**	**962 325**

Remuneration of the previous Municipal Manager - Mr N Jakuja (resigned 28 February 2015)

Annual remuneration	542 857	900 000	542 857	900 000
Travel allowance	181 676	301 200	181 676	301 200
Contributions to UIF, medical and pension funds	1 189	1 785	1 189	1 785
	725 722	**1 202 985**	**725 722**	**1 202 985**

The remuneration of staff is within the upper limit of the SALGA Bargaining Council determinations.

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	**2015**	**2014**	**2015**	**2014**

22. Remuneration of councillors

Councillors	10 000 065	9 269 848	10 000 065	9 269 848
Remuneration of board members	122 951	245 022	-	-
	10 123 016	**9 514 870**	**10 000 065**	**9 269 848**

In-kind benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The remuneration of the political office-bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the Constitution.

22. Remuneration of councillors (continued)

2015	Annual remuneration	Car Allowance	Other allowances	Back pay	Total
P Langa- Executive Mayor	386 566	128 849	50 808	5 752	571 975
Mnangqo D Executive Mayor (July 2014 - March 2015)	326 790	108 925	3 770	-	439 485
Nokhanda B - Chief Whip	233 393	77 800	71 354	4 524	387 071
T Khukula - Speaker	384 619	128 204	9 537	12 620	534 980
Councillor H Cube	144 231	48 078	18 048	2 380	212 737
Councillor J Lobi	144 231	48 078	14 738	2 380	209 427
Councillor M Zweni	144 231	48 078	14 783	2 380	209 472
Councillor Z Maqina	144 231	48 078	19 312	2 380	214 001
Councillor T Nompaka	144 231	48 078	28 326	2 380	223 015
Councillor T Sotshongaye	144 231	48 078	18 199	2 380	212 888
Councillor D Madini	144 231	48 078	19 194	2 380	213 883
Councillor Z Mhlabeni	144 231	48 078	16 408	2 380	211 097
Councillor M Fono	144 231	48 078	26 725	2 380	221 414
Councillor N Sophotela	144 231	48 078	14 828	2 380	209 517
Councillor S Mzaza	198 315	66 109	73 444	3 272	341 140
Councillor B Mtuku	144 231	48 078	15 088	2 380	209 777
Councillor Z Mncwati	144 231	48 078	14 828	2 380	209 517
Councillor N Tani	144 231	48 078	14 828	2 380	209 517
Councillor V N Mcekisa	144 231	48 078	13 788	4 068	210 165
Councillor M S Mabovana	144 231	48 078	19 394	1 380	213 083
Councillor C Nduku	198 315	66 109	79 238	3 272	346 934
Councillor M Veni	144 231	48 078	19 561	2 380	214 250
Councillor X Moni	144 231	48 078	43 080	2 380	237 769
Councillor C Fono	144 231	48 078	17 695	2 380	212 384
Councillor F Diko	144 231	48 078	15 608	2 380	210 297
Councillor F Bokwe	144 231	48 078	18 885	2 380	213 574
Councillor M Tsili	198 315	66 109	40 860	3 273	308 557
Councillor S Madolo	144 231	48 078	14 438	2 380	209 127
Councillor G Tshotsho	144 231	48 078	19 651	2 380	214 340
Councillor L Rolobile	198 315	66 109	59 906	3 273	327 603
Councillor L Ndamase	198 315	66 109	59 987	3 273	327 684
Councillor N Mbotshwa	144 231	48 078	14 178	2 380	208 867
Councillor MPJ Kotana	148 962	49 655	13 918	3 581	216 116
Councillor GF Tobela	32 725	10 909	2 298	-	45 932
Councillor Z Mtiki	144 231	48 078	19 149	2 380	213 838
Councillor N Ndakayi	198 315	66 109	54 661	3 272	322 357
Councillor N Tshitshiliza	144 231	48 078	15 088	2 380	209 777
Councillor B Nomagedesh	144 231	48 078	23 211	2 475	217 995
Councillor M Hobo	120 431	40 145	11 880	1 904	174 360
Councillor H S Tayi	22 225	3 204	875	-	26 304
Councillor Mfiki N	77 839	-	-	-	77 839
	6 673 446	**2 194 373**	**1 021 567**	**110 679**	**10 000 065**

2014	Annual remuneration	Car allowance	Other allowances	Back pay	Total
Langa P : Executive Mayor	277 676	92 556	10 632	4 245	385 109
Nokhanda B : Chief Whip	232 622	77 541	10 632	21 177	341 972
Councillor Tshiliza N	368 722	122 905	-	3 013	494 640
Councillor D Mangqo	460 906	153 628	-	3 517	618 051
Councillor H Cube	176 731	58 914	8 140	2 743	246 528
Councillor J Lobi	138 270	46 091	8 140	2 460	194 961
Councillor M Zweni	138 270	46 091	8 140	2 460	194 961
Councillor Khukula T	138 270	46 091	8 140	2 460	194 961

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	**2015**	**2014**	**2015**	**2014**

22. Remuneration of councillors (continued)

Councillor Z Maqina	138 270	46 091	-	2 460	186 821
Councillor T Nompaka	138 270	46 091	8 140	2 460	194 961
Councillor S T Sotshongaye	138 270	46 091	8 140	2 460	194 961
Councillor D Madini	138 270	46 091	8 140	2 460	194 961
Councillor Z Mhlabeni	138 270	46 091	8 140	2 460	194 961
Councillor M Fono	138 270	46 091	8 140	2 460	194 961
Councillor M N Sophotela	138 270	46 091	8 140	2 460	194 961
Councillor B Daniso	102 569	34 190	4 693	1 462	142 914
Councillor S Mzaza	190 118	63 377	8 140	2 743	264 378
Councillor B Mtuku	176 731	58 914	8 140	2 743	246 528
Councillor Z Mncwati	138 270	46 091	8 140	2 460	194 961
Councillor N Tani	138 270	46 091	8 140	2 460	194 961
Councillor V N Mcekisa	138 270	46 091	8 140	4 305	196 806
Councillor M S Mabovana	138 270	46 091	8 140	2 460	194 961
Councillor C Nduku	190 118	63 377	8 140	2 743	264 378
Councillor M Veni	138 270	46 092	8 140	2 460	194 962
Councillor X Moni	138 270	46 091	8 140	2 460	194 961
Councillor C Fono	138 270	46 091	8 140	2 460	194 961
Councillor F Diko	138 270	46 091	8 140	2 460	194 961
Councillor F Bokwe	138 270	46 091	8 140	2 460	194 961
Councillor M Tsili	151 657	50 554	8 140	8 410	218 761
Councillor S Madolo	138 270	46 091	8 140	2 460	194 961
Councillor G Tshotho	138 270	46 091	8 140	2 460	194 961
Councillor L Rolobile	190 118	63 377	8 140	2 743	264 378
Councillor L Ndamase	190 118	63 377	8 140	2 743	264 378
Councillor N Mbotshwa	138 270	46 091	8 140	2 460	194 961
Councillor MPJ Kotana	138 270	46 091	8 140	2 460	194 961
Councillor GF Tobela	190 118	63 377	8 140	2 743	264 378
Councillor Z Mtiki	138 270	46 091	8 140	2 460	194 961
Councillor N Ndakayi	151 657	50 554	8 140	8 410	218 761
Councillor N Tshitshili	138 270	46 091	8 140	2 460	194 961
Councillor B Nomagadesh	138 270	46 091	8 140	1 462	193 963
	6 644 881	**2 215 008**	**302 717**	**134 242**	**9 296 848**

23. Debt impairment

Debt impairment	3 060 086	4 997 881	3 060 086	4 997 881

24. Depreciation and impairment

Property, plant and equipment	29 884 785	28 819 766	29 789 383	28 792 074
Investment property	-	1 897 080	-	1 897 080
	29 884 785	**30 716 846**	**29 789 383**	**30 689 154**

25. Finance costs

Non-current borrowings	-	134 105	-	134 105
Finance leases	25 177	6 956	-	-
Other interest paid	11 709 161	10 774 798	10 476 402	10 166 951
	11 734 338	**10 915 859**	**10 476 402**	**10 301 056**

26. Contracted services

Security services	1 709 749	2 131 024	1 709 749	2 131 024

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	**2015**	**2014**	**2015**	**2014**

27. General expenses

Accounting fees	175 219	205 750	-	-
Advertising	576 766	253 114	380 558	227 715
Annual fees	636	-	-	-
Assets expensed	1 347 138	-	1 347 138	-
Audit committee fees	127 584	210 009	127 584	210 009
Auditors remuneration	3 236 985	2 441 282	2 685 094	2 046 485
Bank charges	117 544	103 180	102 662	89 711
Cleaning	8 499	2 000	-	-
Computer expenses	68 825	-	-	-
Conferences and seminars	4 500	9 157	-	658
Consulting and professional fees	3 214 878	3 823 485	3 183 443	3 816 986
Consumables	446 983	304 222	446 983	304 222
Consumables and beverages	26 137	14 494	26 137	14 494
Convention bureau	6 500	1 084	6 500	1 084
Delivery expenses	34 246	31 748	-	-
Electricity	2 262 610	2 688 913	2 262 610	2 688 913
Entertainment	135 348	155 714	135 348	155 714
Fines and penalties	209 795	25 086	209 795	-
Fuel and oil	2 108 602	2 375 552	2 108 602	2 375 552
Hire	-	500	-	-
Insurance	1 131 132	907 208	1 091 671	887 973
IT expenses	9 586	6 211	-	-
Magazines, books and periodicals	54 201	14 260	54 201	14 260
Motor vehicle expenses	54 802	39 776	274	-
Other expenses	788 625	30 861	718 059	1 447
Postage and courier	-	654	-	339
Printing and stationery	749 386	599 122	705 657	564 841
Project expenses	6 090 196	6 687 181	6 076 696	6 687 181
Promotions and sponsorships	35 190	205 833	35 190	205 833
Protective clothing	60 871	-	60 871	-
Royalties and license fees	194 428	149 650	194 428	149 650
Security (Guarding of municipal property)	-	13 655	-	-
Social responsibility programmes	168 378	2 283 025	168 378	2 283 025
Software expenses	226 966	16 681	226 966	16 681
Staff welfare	(2 304)	10 944	(2 304)	10 944
Subscriptions and membership fees	9 112	11 578	9 112	11 578
Telephone and fax	1 870 224	1 611 859	1 812 011	1 555 380
Title deed search fees	-	950 000	-	950 000
Tourism development	56 723	-	-	-
Training	903 992	-	903 992	-
Travel - local	70 231	45 204	-	-
Uniforms	800 960	351 611	800 960	351 611
	27 381 494	**26 580 603**	**25 878 616**	**25 622 286**

28. Auditors' remuneration

Fees	3 236 985	2 441 282	2 685 094	2 046 485

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	**2015**	**2014**	**2015**	**2014**

29. Cash generated from operations

Deficit	(18 545 457)	(8 945 223)	(18 022 015)	(8 253 564)
Adjustments for:				
Depreciation and amortisation	29 884 785	30 716 846	29 789 383	30 689 154
Finance costs - equipment	1 177 486	2 761 804	-	2 761 804
Finance costs - Finance leases	25 177	6 956	-	-
Debt impairment	3 060 086	4 997 881	3 060 086	4 997 881
Movements in operating lease assets and accruals	143 281	1 454 233	194 979	1 454 233
Movements in retirement benefit assets and liabilities	159 000	1 822 000	159 000	1 822 000
Movements in provisions	448 344	4 121 198	458 732	3 569 631
Changes in working capital:				
Inventories	74 520	(224 170)	74 520	(224 170)
Receivables from exchange transactions	(4 243 420)	(6 023 195)	(4 243 420)	(5 094 416)
Receivables from non-exchange transactions	325 089	(2 389 340)	318 303	(2 452 336)
Payables from exchange transactions	1 418 498	(3 271 910)	2 014 801	(5 251 295)
VAT	3 547 087	(2 805 214)	2 878 090	(1 905 844)
Unspent conditional grants and receipts	15 638 151	4 035 456	15 638 151	4 035 456
	33 112 627	**26 257 322**	**32 320 610**	**26 148 534**

30. Commitments

Authorised capital expenditure

Already contracted for but not provided for				
• Infrastructure assets	49 583 444	51 664 165	49 583 444	51 664 165
Total capital commitments				
Already contracted for but not provided for	49 583 444	51 664 165	49 583 444	51 664 165

Total commitments

Total commitments				
Authorised capital expenditure	49 583 444	51 664 165	49 583 444	51 664 165

This committed expenditure relates to access roads and will be financed by mainly the Municipal Infrastructure Grant.

Operating leases - as lessee (expense)

Minimum lease payments due				
- within one year	136 145	124 934	136 145	124 934
- in second to fifth year inclusive	678 806	622 758	678 806	622 758
- later than five years	6 451 893	6 709 275	6 451 893	6 709 275
	7 266 844	**7 456 967**	**7 266 844**	**7 456 967**

Operating lease payments represent rentals payable by the economic entity for certain of its office properties. The economic entity entered into an agreement with Transnet for long term lease of land over a period of 30 years. No contingent rent is payable.

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2015	2014	2015	2014

31. Contingencies

The economic entity is a defendant in litigations by the following parties of which the outcome of the cases cannot be reliable estimated as at 30 June 2015 (30 June 2014). Financial exposure is estimated to be **R13 265 000** (2014: **R13 680 000).**

Mr Mfecane - He instituted an action against the economic entity for the damages incurred as aresult of unlawfully demolishing his property. The total estimate claim amounts to **R 80 000**.

Mr Bodlani - The economic entity is being sued by Mr Bodlani for being assaulted by the economic entity's employee. If the complainant wins the case the potential financial effect would approximately be **R650 000**.

Jakuja vs PSJ Municipality - Mr Jakuja instituted an action against the PSJ Municipality. Matter was referred to CCMA for unfair dismissal. The matter is still ongoing. The total estimate of the legal exposure amounts to **R50 000**.

Almo Projects CC t/a Zamani Civils - Almo Project Civils instituted an action against the economic entity foe allegedly breaching the contract in the sum of R9 944 339. The potential claim amounts to **R11 000 000**.

Vapi & Others vs PSJ Municipality - Vapi & Others obtained an interdict against the Coastal Properties Pty Ltd for arrear rates in the sum of R218 879. The potential claim by the economic entity is **R255 000**.

Port St Johns Taxi Owners Primary Co-operative Ltd - The economic entity instituted a case against Port St Johns Taxi owners for the arrears in the sum of **R28 092**.

Mr Mugwanya - The economic entity instituted a claim against Mr Mugwanya for rates in arrears. The lawyer is waiting the dates for appearance to defend in order to take further steps. The total estimate of the legal exposure amounts to **R170 000**.

SARS- There is a potential penalty chargeable by the South African Revenue Services (SARS) on the declaration of output tax on historical grants determined in the prior year, plus current portion of attributable to output tax on the current year grant not declared or paid. Total net output tax payable is disclosed in note 7. The estimated penalty payable is **R479 968**.

Telkom SA Limited - There is a potential claim for telephone services rendered. The agency is disputing the claim. Furthermore, possibility is that the economic entity could in the past have paid telephone usage not attributable to the entity. This is currently being investigated internally and the amount of the claim is **R58 296.**

32. Related parties

Relationships	
Accounting Officer	Refer to employee related costs note 21
Chief Financial officer	Refer to the employee related costs note 21
Corporate Services Manager	Refer to employee related costs note 21
Community Services Manager	Refer to employee related costs note 21
Engineering Manager	Refer to employee related costs note 21
Local Economic Development Manager	Refer to employee related costs note 21
Councillors	Refer employee related costs note 22

33. Risk management

Financial risk management

The economic entity’s activities expose it to a variety of financial risks: credit risk and liquidity risk and market risk.

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	**2015**	**2014**	**2015**	**2014**

33. Risk management (continued)

Liquidity risk

The economic entity’s risk to liquidity is a result of the funds available to cover future commitments. The economic entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the economic entity’s financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances as the impact of discounting is not significant.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and receivables. The economic entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Receivables comprise a widespread customer base. Management evaluated credit risk relating to receivables on an ongoing basis. If receivables are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the receivable, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by management.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	Economic entity - 2015	Economic entity - 2014	Controlling entity - 2015	Controlling entity - 2014
Receivables from exchange transactions	1 544 820	361 486	1 544 820	361 486
Receivables from non-exchange transactions	1 716 068	2 043 988	1 718 899	2 043 988

Market risk

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate owing to changes in market interest rates. The economic entity's level of borrowing and consequently the debt servicing costs are closely monitored and controlled by the Council having regard to the prevailing and projected interest rates and the economic entity's capacity to service such debt from future earnings.

34. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The economic entity's current assets exceed its current liabilities and has accumulated surpluses of R385 452416 (2014 : 341 917 659.

The ability of the economic entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officers continue to source funding for the ongoing operations for the economic entity.

35. Events after the reporting date

There are no material adjusting and non-adjusting events after the reporting date:

36. Unauthorised expenditure

Opening balance	33 147 546	32 455 887	33 147 546	32 455 887
Unauthorised expenditure incurred	4 226 611	691 659	4 226 611	691 659
	37 374 157	**33 147 546**	**37 374 157**	**33 147 546**

	Economic entity		Controlling entity	
Figures in Rand	2015	2014	2015	2014

36. Unauthorised expenditure (continued)

Unauthorised expenditure is due to the expenditure incurred above authorised budget.

37. Fruitless and wasteful expenditure

Opening balance	15 323 525	5 697 199	15 323 525	5 697 199
Fruitless and wasteful expenditure incurred	2 060 565	9 626 326	2 060 565	9 626 326
	17 384 090	**15 323 525**	**17 384 090**	**15 323 525**

The balance is made up of the interest overdue accounts and penalties on late submission of VAT returns (PAYE, UIF, VAT and SDL.

Auditor General's account remains in arrears and thus has been levied with arrear interest charges.

38. Irregular expenditure

Opening balance	37 998 125	12 730 472	37 998 125	12 730 472
Add: Irregular expenditure - current year	31 269 065	25 267 653	31 269 065	25 267 653
	69 267 190	**37 998 125**	**69 267 190**	**37 998 125**

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Laman Financial Services	None	16 768 864
Laman Financial Services	None	820 800
Construction of Masameni Gravel Access Road	None	4 647 562
Construction of Dulukweni Gravel Access Road	None	5 189 067
Professional fees for Ntile to Njeni Access Road	None	461 454
Consulting Engineer for Zinyozi Access Road	None	390 379
Invitation to bid for hiring of private security	None	345 345
Consolidation of Financial Statements	None	1 528 161
Invitation for server support back-up	None	67 058
Maintenance and repairs of Street lights	None	177 590
Technical feasibility study of Macademia nuts	None	100 000
Irregular expenditure relates to expenditure	None	772 785
		31 269 065

39. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	990 013	400 000	990 013	400 000
Current year subscription / fee	776 645	1 540 013	776 645	1 540 013
Amount paid - current year	(535 478)	(950 000)	(535 478)	(950 000)
	1 231 180	**990 013**	**1 231 180**	**990 013**

Audit fees

Opening balance	1 969 630	780 710	1 969 630	780 710
Current year subscription / fee	4 695 057	3 235 765	4 695 057	3 235 765
Amount paid - current year	(3 858 412)	(2 046 845)	(3 858 412)	(2 046 845)
	2 806 275	**1 969 630**	**2 806 275**	**1 969 630**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2015	2014	2015	2014

39. Additional disclosure in terms of Municipal Finance Management Act (continued)

PAYE and UIF

Opening balance	639 045	-	639 045	-
Current year subscription / fee	7 761 158	6 606 526	7 761 158	6 606 526
Amount paid - current year	(8 160 465)	(5 967 481)	(8 160 465)	(5 967 481)
	239 738	**639 045**	**239 738**	**639 045**

Pension and medical aid deductions

Current year subscription / fee	8 375 030	8 092 635	8 375 030	8 092 635
Amount paid - current year	(8 217 476)	(8 092 635)	(8 217 476)	(8 092 635)
	157 554	**-**	**157 554**	**-**

VAT

VAT receivable	23 680 577	16 703 364	28 116 815	20 859 393

VAT output payables and VAT input receivables are shown in note 6.

Some VAT returns were not submitted by the due date during the year.

Councillors' arrear consumer accounts

All councillors reside in the rural areas of Port St John's Municipality, therefore, they are not billed for any services.

Company Secretary's Certification

39. Additional disclosure in terms of Municipal Finance Management Act (continued)

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Council. The expenses incurred as listed hereunder have not been condoned.

Emergency				
Carlton House - Venue needed to address striking employees	2 600	-	2 600	-
Eagle Ukhozi Transport- Municipal truck was on service	31 236	-	31 236	-
Advocate Luvuyo Bono- Emergency legal services were needed	72 500	-	72 500	-
Carlton House - Venue to address striking employees	4 450	-	4 450	-
Quma Funeral Undertakers - Emergency funeral of the late Mayor	149 230	-	149 230	-
R. CR. Towing - Towing needed urgently for broken down vehicle	2 650	-	2 650	-
Eagle Ukhosi Transport - Truck needed urgently since the municipal truj was not yet in use	102 600	-	102 600	-
Repairs to motor vehicle : only nearest service provider	31 434	2 271	31 434	2 271
Accomodation : Other B & B's were fully occupied	-	3 450	-	3 450
Other : Only the nearest service provider	40 146	-	-	-
Adertising and promotions: The only service provider	-	7 353	-	7 353
Sole supplier or agent				
Port O Call - Other places were fully booked	14 000	-	14 000	-
Wild Coast - Other places were fully booked	37 100	-	37 100	-
Hotel Savoy - Other accommodation were fully booked	14 235	-	14 235	-
Swift and Travel tours - Other places were fully booked	5 760	-	5 760	-
Swift and Travel Tours	3 630	-	3 630	-
R-Data - Financial system provider had to repair systems errors	71 820	-	71 820	-
Kula Travel and Tours - Only supplier to find the flights tickets	6 500	-	6 500	-
Institute of Municipal Finance Officers	6 899	-	6 899	-
Garden Court - Mthatha - Other places were fully booked	3 584	-	3 584	-
EL Dynamics - Only Courier company which can deliver to Port St Johns	3 072	-	3 072	-
Institute of Municipal Engineers of South Africa - Institution providing training	5 775	-	5 775	-
CCS IT Training	24 450	-	24 450	-
Savoy Hotel - Other places were fully booked	6 570	-	6 570	-
Tjeka Training Matters Pty Ltd - Provider of training to municipal supply chain official	17 782	-	17 782	-
Trellidor - Only supplier for burglar gates	19 958	-	19 958	-
University of Fort Hare - Institution providing the training attended	138 989	-	138 989	-
Wild Coast Sun - Other places were fully booked	16 160	-	16 160	-
R-Data - Service provider for the financial system	42 887	-	42 887	-

39. Additional disclosure in terms of Municipal Finance Management Act (continued)

Dans Country Lodge - Other places were fully booked	2 180	-	2 180	-
Garden Court Hotel- Other places fully booked	3 584	-	3 584	-
LexisNexis - The only supplier which has the National Road Traffic Act	7 090	-	7 090	-
R-Data - The owner of the financial system and can perform the services needed	71 820	-	71 820	-
Mancosa - Only college which was still open for Local government management	103 920	-	103 920	-
Shesha Books - Mancosa prescribes books from Shesha Books	18 720	-	18 720	-
Ntaba River Lodge - Other places were fully booked	2 636	-	2 636	-
Payday - The service provider for the Payroll system and there was a need for new software	12 163	-	12 163	-
Payday - The service provider for the Payroll system and there was a need to update the leave module	42 593	-	42 593	-
Swift Travel - Other places were fully booked	5 160	-	5 160	-
Mancosa - Only institution still open for registration of Higher certificate for Local government staff	14 450	-	14 450	-
Steven Samuels Management - Invitation to attend training to the Fleet management accountant	10 259	-	10 259	-
Namkelekile Accommodation - Other places were fully booked	2 835	-	2 835	-
Summerstrand Hotel - Other places were fully booked	6 238	-	6 238	-
Swift Travel and Tours - Other places were fully booked	17 239	-	17 239	-
Ntaba River Lodge - Other places were fully booked	2 600	-	2 600	-
Payday - The only service provider for the payroll system and there was a need to move the module on the server	10 442	-	10 442	-
R-Data - The supplier for the financial system was needed to resolve the problem with the server	85 457	-	85 457	-
Dispatch Media - Only Service provider for provincial media coverage	6 618	-	6 618	-
Dispatch Media - Only provider for provincial media coverage	4 651	-	4 651	-
Man Truck - Truck purchased from the supplier therefore repairs are done by them also	2 218	-	2 218	-
Dispatch Media - Only supplier of provincial media coverage	8 858	-	8 858	-
Dispatch Media - Only supplier of provincial media coverage	31 765	-	31 765	-
Dispatch Media - Only supplier of provincial media coverage	27 333	-	27 333	-
Dispatch Media - Only supplier of provincial media coverage	10 123	-	10 123	-
Dispatch Media - Only supplier of provincial media coverage	10 123	-	10 123	-
Dispatch Media - Only supplier of provincial media coverage	17 378	-	17 378	-

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39. Additional disclosure in terms of Municipal Finance Management Act (continued)

Buffalo Toyota - The car was purchased from the supplier therefore maintenance is done by them	3 626	-	3 626	-
Transkei Yamaha - The machine was purchased from the supplier and maintenance is done by them	15 074	-	15 074	-
Kempston Motors - The truck was purchased from them so repairs are done with them	64 137	-	64 137	-
Barloworld Equipment - The plant was purchased from them so the repairs are done by them	10 260	-	10 260	-
Bell Equipment - The grader was purchased from therefore the repairs are done by them	57 310	-	57 310	-
Union Motors - The car was purchased from them so the repairs are done by them	6 803	-	6 803	-
Gariep Hotel - Three quotes were submitted, but the other 2 do not offer dinner and are far from the meeting venue.	5 820	-	5 820	-
IMFO - An IMFO member has been invited to attend the conference	6 899	-	6 899	-
Dispatch Media - Sole provider of provincial media coverage	20 007	-	20 007	-
Swift Travel - The only one service provider responded to accommodation needs of Councillors	2 340	-	2 340	-
Sparks & Ellis Uniforms- The supplier who had been awarded the contract was not able to deliver, so the municipality used the only other supplier	46 616	-	46 616	-
Asiphumeze Travel - Use of the quotation of the agency who was used to make the original booking	7 286	-	7 286	-
Assessment tool box - The service provider and was approved by MM office as the best for the project	42 864	-	42 864	-
	1 703 512	**13 074**	**1 663 366**	**13 074**

Company Secretary's Certification

40. Budget differences

Material differences between budget and actual amounts

1. The economic entity did not include the expected increase from higher tariffs in the budget.

2. The tenant cancelled the contract during the year and the economic entity has not been able to find the suitable replacement.

3. The interest on trade receivables is dependent on debtors payments and therefore the economic entity does not budget for this.

4. The anticipated utilization of the investment accounts were lower than budgeted for, this led to the increased amount of interest received.

5. The new valuation roll was implemented during the year, the valuation of properties within the economic entity sphere of influence decreased significantly since previous valuation.

6. The economic entity expected grant income from external sources during the year, however these amounts were never received.

7. Actual fines were lower than anticipated.

8. The economic entity did not implement the expected salary increments as budgeted for.

9. The economic entity did not implement the expected salary increments as budgeted for.

10. The anticipated finance cost on the finance leases were much higher than budgeted for.

11. The lease rentals had been budgeted for as part of general expenditure.

12. The plant is recovered by a monthly maintenance charge which has reduced the expected expenses.

13. The economic entity had budgeted for two security companies to assist in different areas, however, due to cash flow constraints the security used was reduced.

14. Grants and subsidies paid was not budgeted for separately but as part of general expenses.

15. Due to cash flow constraints the economic entity had to centralise item in certain departments to reduce spending.

16. The budget differences shows an over-expenditure of R626 723 and this is mainly due to interest provision on VAT amounts due SARS.

17. Budget adjusted on revenue of R4 410 960 had not been received at year end.

Company Secretary's Certification

41. Prior period errors

The prior year has been amended to account for prior period errors.

Below is a summary of the total effect that the prior period errors, changes in accounting policies and reclassifications of comparatives had on the amounts previously disclosed in the annual financial statements, followed by a description of each individual prior period error with the amounts involved.

Company Secretary's Certification

41. Prior period errors (continued)

	-	-		
Statement of Financial Performance for the year ended 30 June 2014		Balance as previously reported	Prior period error	Restated balance
Revenue				
Service charges		715 185	-	715 185
Rental income		60 637	-	60 637
Interest received - trading		2 172 148	-	2 172 148
Interest received - investment		862 416	(15 372)	847 044
Other exchange revenue		214 831	-	214 831
Property rates		6 628 698	-	6 628 698
Licences and permits (non-exchange)		18 706	-	18 706
Government grants and subsidies		114 530 099	(3 061 482)	111 468 617
Fines, penalties and forfeits		296 600	-	296 600
Total revenue		125 499 320	(3 076 854)	122 422 466
Expenditure				
Employee related costs	41 180 688	313 821	-	41 494 509
Remuneration of councillors	9 524 091	(9 221)	-	9 514 870
Debt impairment	4 997 881	-	-	4 997 881
Depreciation and amortisation	30 716 846	-	-	30 716 846
Finance costs	10 979 518	(63 660)	-	10 915 858
Repairs and maintenance	2 129 604	1 859 732	-	3 989 336
Contracted services	2 131 024	-	-	2 131 024
General expenses	28 056 004	(602 227)	(873 174)	26 580 603
Operating lease rentals	-	153 597	873 174	1 026 771
Total expenditure	129 715 656	1 652 042	-	131 367 698
Operating surplus / (deficit)	(4 216 336)	(4 728 903)	-	(8 945 239)
Surplus / (deficit) for the year	(4 216 336)	(4 728 903)	-	(8 945 239)

Company Secretary's Certification

41. Prior period errors (continued)

Statement of Financial Position as at 30 June 2014

	Balance as previously reported	Prior period error	Restated balance
Assets			
Current Assets			
Cash and cash equivalents	14 735 568	(24 522)	14 711 046
Receivables from non-exchange transactions	5 504 576	(3 460 590)	2 043 986
Receivables from exchange transactions	361 486	-	361 486
VAT receivable	5 479 174	11 224 190	16 703 364
Inventories	595 375	-	595 375
Total current assets	26 676 179	7 739 078	34 415 257
Non-current Assets			
Investment property	12 125 923	(664 920)	11 461 003
Property, plant and equipment	353 854 615	299 488	354 154 103
Total non-current assets	365 980 538	(365 432)	365 615 106
Liabilities			
Current Liabilities			
Payables from exchange transactions	21 687 477	(394 745)	21 292 732
Finance lease obligation	8 813 774	-	8 813 774
Unspent conditional grants and receipts	12 639 767	3 780 897	16 420 664
Employee benefit obligation	-	453 000	453 000
Provisions	2 720 232	-	2 720 232
Total current liabilities	45 861 250	3 839 152	49 700 402
Non-current Liabilities			
Operating lease liability	-	1 454 233	1 454 233
Finance lease obligation	11 328 968	128 495	11 457 463
Employee benefit obligation	-	1 369 000	1 369 000
Other liability	4 343 092	-	4 343 092
Total non-current liabilities	15 672 060	2 951 728	18 623 788
Net Assets			
Accumulated surplus - Opening balance	336 435 074	(4 728 903)	331 706 171
Total net assets	336 435 074	(4 728 903)	331 706 171

Company Secretary's Certification

41. Prior period errors (continued)

1. Long service award

The economic entity did not provide for long service award in the previous years. The actuarial firm was approached and a provision was calculated for the years ending 30 June 2013 and 30 June 2014.

Statement of financial position				
Increase in employee benefits	-	(1 822 000)	-	(1 822 000)
Decrease in accumulated surplus	-	1 395 000	-	1 395 000
Statement of financial performance	-	-	-	-
Increase in employee cost	-	319 000	-	319 000
Increase in finance cost	-	108 000	-	108 000
	-	-	-	-

2. Grants

Grants register was reconstructed for the years ending 30 June 2013/2014/2015

Statement of financial position				
Decrease in receivables from non-exchange transactions	-	(1 574 525)	-	(1 574 525)
Increase in VAT receivable	-	116 635	-	116 635
Decrease in payables from exchange transactions	-	394 737	-	394 737
Increase unconditional grants	-	(3 780 897)	-	(3 780 897)
Decrease accumulated surplus	-	2 293 941	-	2 293 941
Statement in financial performance	-	-	-	-
Decrease in revenue from government grants	-	3 061 481	-	3 061 481
Decrease in employee costs	-	(14 400)	-	(14 400)
Decrease in grant register	-	(496 972)	-	(496 972)
	-	-	-	-

3. Cash and cash equivalents

The cash and cash equivalents balance was corrected for differences in opening balance as identified in 2012/2013, which was never corrected.

Statement of financial position				
Decrease in cash and cash equivalents	-	(24 522)	-	(24 522)
Decrease in accumulated surplus	-	9 150	-	9 150
Statement of financial performance	-	-	-	-
Decrease in interest received	-	15 372	-	15 372
	-	-	-	-

Company Secretary's Certification

41. Prior period errors (continued)

4. Finance lease equipment

Included in the plant finance lease contract was maintenance plan and this was recalculated and included in the calculations to restate the balances at 30 June 2014.

Statement of financial position				
Decrease in receivables from non-exchange transactions	-	(1 859 733)	-	(1 859 733)
Decrease in finance lease liabilities	-	186 022	-	186 022
Statement of financial performance	-	-	-	-
Decrease in finance costs	-	(186 022)	-	(186 022)
Increase in repairs and maintenance	-	1 859 733	-	1 859 733
	-	**-**	**-**	**-**

5. Investment property

Investment property was fair valued above cost and this was included in the fixed assets register. The assessment was done and the reversal was processed to limit the fair value adjustment to original cost.

Statement of financial position				
Decrease in investment property	-	(664 920)	-	(664 920)
Decrease in accumulated surplus	-	664 920	-	664 920
	-	**-**	**-**	**-**

6. Deemed finance lease

In terms of GRAP 13, it was determined that the economic entity had deemed finance lease in regards to cell phones and tablets contracts. The assets and deemed finance leases were calculated and recorded in the accounting records.

Statement of financial position				
Increase in property, plant and equipment	-	405 312	-	405 312
Increase in finance liability	-	(314 516)	-	(314 516)
Decrease in accumulated surplus	-	85	-	85
Statement of financial performance	-	-	-	-
Increase in finance cost	-	14 362	-	14 362
Decrease in general expenses	-	(105 243)	-	(105 243)
	-	**-**	**-**	**-**

7. Straight-lining of lease

The economic entity leases a portion of land from Transnet. The leases had never before been straight-lined as required in terms of GRAP 13. The economic entity prepared a reconciliation and confirmed that an operating lease liability existed.

Statement of financial position				
Increase in operating lease liability	-	(1 454 233)	-	(1 454 233)
Decrease in accumulated surplus	-	1 300 637	-	1 300 637
Statement of financial performance	-	-	-	-
Increase in operating lease cost	-	153 596	-	153 596

Company Secretary's Certification

41. Prior period errors (continued)

	-	**-**	**-**	**-**

8. VAT review

A VAT review was performed by an independent service provider to identify incorrect VAT claims and to reconcile the VAT statement of account to the VAT control accounts.

Statement of financial position				
Decrease in receivables from non-exchange transactions	-	(26 329)	-	(26 329)
Increase in VAT receivables	-	10 860 351	-	10 860 351
Increase in accumulated surplus	-	(10 834 022)	-	(10 834 022)
	-	**-**	**-**	**-**